



OC Dynamic Equity Fund

Fact Sheet

Benchmark unaware, the OC Dynamic Equity Fund invests in quality small to mid-capitalisation Australian listed companies with sustainable business models, quality management and attractive investment fundamentals, as well as some emerging companies.

- Highly rated portfolio of quality smaller Australian companies with exposure to some rapidly growing emerging companies
- Well-resourced and seasoned team of professional smaller companies investors
- Proven process that has delivered investors strong long-term returns across all market cycles
- Strong focus on risk management and capital preservation

Case for smaller companies

Companies with smaller market capitalisation or small-cap stocks, can present excellent investment opportunities and play an important role in an investor's portfolio.

Providing added diversification, small-cap stocks can temper the exposure large-cap managed funds typically have to banks and resource stocks. For example, the financials (ex property) sector alone, which includes banks, makes up over a third of the S&P/ASX 100 Index.

With recent headwinds felt by the banking and mining sectors thanks to a challenging operating environment and weakened commodity prices, smaller companies may provide a buffer to this cyclicality. In other words, exposure to listed companies that are less sensitive to macro-economic events may be one way to smooth portfolio returns.

Greater growth potential

Smaller companies tend to be at an earlier stage of development which increases their growth potential. For example, it is usually easier for a company making \$50 million in profit to double that amount than one that is making \$500 million. Similarly, faster

growing companies can be harder to find among larger businesses as many already operate in more mature business models or industries.

Greater alignment of investor interest

Smaller businesses tend to have a higher level of founder and/or management ownership or 'skin in the game', meaning management's interests are more likely to be better aligned with those of investors.

Greater investment choice

The number of listed smaller companies is greater than those with larger market capitalisation. This provides more stocks in which to invest and therefore, the potential for greater portfolio diversification.

Less index concentration

The top 10 small-cap stocks make up around 15% of the small-cap index, compared with the 10 largest large-cap stocks making up over 50% of the S&P/ASX 100 Index. This diversity is one reason why active investment managers may have more opportunity to generate superior returns.

Fund overview

Managed by OC Funds Management (OC), the OC Dynamic Equity Fund (Fund) is a benchmark-unaware unit trust that typically invests in 30 to 50 high quality small to medium-sized Australian companies with sustainable business models, quality management and attractive investment fundamentals that are listed, or about to list, on the Australian Securities Exchange (ASX).

The Fund can also invest up to 20% of total capital in either smaller emerging leaders businesses (\$50 million to \$400 million market capitalisation) and/or event-driven positions (companies expected to benefit from an upcoming catalyst or undergoing a positive change).

Investment objective

The Fund aims to provide investors a total return of (after fees and expenses) 3 - 5% per annum above the S&P/ASX Small Ordinaries Accumulation Index over a rolling five-year period.

Investment approach

The Fund's investment universe includes all companies listed, or about to list, on the ASX regardless of their size or business sector. Despite the broad investment universe, OC focuses on smaller businesses (ex ASX 100) believing they are:

- easier to understand
- simpler to value, and
- more accessible to research.

To minimise the risk of poor performing investments, OC looks to invest in companies with:

- strong management
- simple and transparent business models
- high cash conversion and capital light
- sustainable competitive advantages
- favourable operational risk characteristics, and
- attractive valuation metrics based on OC's proven financial analysis and valuation techniques.

Access to key management and earnings transparency is critical.

The team places heavy emphasis on risk management, which is ingrained through each stage of its investment process, screening out businesses with:

- no profitability or cash flow
- a market capitalisation of less than \$50 million (due to liquidity and quality considerations)
- complex technologies which are difficult to forecast
- unproven business models
- insufficient diversification of product or supply (e.g. single commodity/single mine), or
- management that is not aligned with its shareholders or that is inaccessible.

“Our view is that equity markets can be emotional, backward looking and inefficient, particularly in small caps where there can be a lot of market ‘noise’. We believe this can provide opportunities for prudent investors who make considered investment decisions based on thorough analysis.”

Investment team

OC was established in 2000 and combines over 40 years of investment management experience, with Robert Frost successfully managing small and micro-cap Australian equities since 2001.



Robert Frost
Head of Investments
BCom, LLB

- Joined OC in 2001 as a Portfolio Manager and was appointed Head of Investments in 2009.
- Responsible for portfolio management and OC’s investment philosophy and strategy.
- Prior to OC, Robert was a Senior Research Analyst with Austock Group specialising in small and mid-cap industrial companies.



Robert Calnon
Investment Analyst
BCom, GDipAppFin, CA

- Joined OC in 2007 as an Investment Analyst with additional responsibility as the Equities Dealer for the investment team.
- Responsible for company and sector analysis of stocks within OC’s investment universe.
- A Chartered Accountant, Robert was previously a manager in the Bank of New York’s investment accounting division prior to joining OC.



Stephen Evans
Investment Analyst
BCom, CA

- Joined OC in 2010 as an Investment Analyst.
- Responsible for performing in-depth analysis and financial modelling of stocks and was the systems architect of OC’s proprietary investment database.
- Prior to OC, Stephen was an Investment Analyst with Patriot Asset Management and is a Chartered Accountant.



Daniel Stein
Analyst
BCom, CFA

- Joined OC in 2017 as an Analyst.
- Responsible for researching companies within OC’s investment universe and financial modelling.
- Prior to OC, Daniel was an Associate Analyst at Altair Asset Management where he specialised in small and mid-cap industrial and financial companies.

Key facts

Manager
OC Funds Management

Responsible entity
Copia Investment Partners

Inception date
December 2000

Benchmark
S&P/ASX Small Ordinaries Accumulation Index

Investment time frame
At least 5 years

Relative risk
High

Minimum investment
\$20,000

Minimum additional investment
\$5,000

Distribution
Yearly

Establishment fee
NA

Termination fee
NA

Management fee
1.72% p.a. (including GST net of RITC)

Performance fee
20.5% (including GST net of RITC) of the amount of excess performance in any financial year, subject to a high-water mark

Performance hurdle
The greater of the net asset value of the Fund at the beginning of the year plus 15% p.a., or the high-water mark

High-water mark
Yes

- Suitable investors**
- Investors seeking a diversified exposure to quality Australian listed small and mid-capitalisation companies, as well as shorter-term catalyst-driven opportunities.
 - Investors looking to complement their core direct large-cap Australian equities holdings or large-cap Australian equities managed funds.
 - Investors seeking an active investment approach that seeks to deliver excess risk-adjusted returns.
 - Those with an investment horizon of five years or more.

Ratings



Why invest

People

Access the extensive smaller companies investment management expertise of OC. Supported by an experienced and stable team of seasoned investment professionals, Head of Investments, Robert Frost, has successfully managed small-cap portfolios since 2001.

Process

Gain exposure to the team's proven bottom-up, benchmark-unaware and risk-averse investment process that has delivered investors strong long-term returns across all market cycles.

Portfolio

Rated 'Highly Recommended' by Lonsec, investors gain access to a quality portfolio of smaller companies with robust business models, quality management and attractive investment fundamentals, as well as some rapidly growing emerging companies and shorter-term catalyst-driven opportunities.

Performance

The Fund has a long-term track record of generating alpha for investors through a wide variety of markets. Additionally, as owners of the business and co-investors in the Fund, OC's interests align with those of investors providing strong performance incentive.

CONTACT COPIA

1800 442 129 | clientservices@copiapartners.com.au | copiapartners.com.au



John Clothier

General Manager, Distribution

0408 488 549 | jclothier@copiapartners.com.au

Adam Tweedale

State Manager, Southern Region

0425 804 727 | atweedale@copiapartners.com.au

Angela Vincent

State Manager, Northern Region

0477 347 260 | avincent@copiapartners.com.au

Sean Paul McGoldrick

Account Manager, Northern Region

0421 050 370 | spmgoldrick@copiapartners.com.au

Iain Mason

Director, Institutional Business

0412 137 424 | imason@copiapartners.com.au

Jacinta King

Business Development Associate

0413 962 922 | jking@copiapartners.com.au

The Lonsec Rating (assigned March 2017) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold OC Funds Management's product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>

This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this document, readers should consider whether the investment is suitable for their needs. This may involve seeking advice from a qualified financial adviser. Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) is the issuer of the OC Dynamic Equity Fund (ARSN 098 644 681). A current PDS is available online at ocfunds.com.au, from Copia located at Level 25, 360 Collins Street, Melbourne Vic 3000, by calling 1800 442 129 (free call) or by emailing clientservices@copiapartners.com.au. A person should consider the PDS before deciding whether to acquire or continue to hold an interest in the Fund. Any opinions or recommendations contained in this document are subject to change without notice and Copia is under no obligation to update or keep any information contained in this document current.

OC Funds Management Pty Ltd (ABN 29 3777 531 171)